PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA

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DESP NO. 847

April 9, 1954

Action Assigned to DATE APR 10 1954

Action Taken

25 For Dept. Use Only	ACTION	DEPT.
	REC'D 4-12	INFO OTHER DC/R-2 ara-2 MC-2 una-2 USIS-8 Army-3 Navy-3 AF-3 Treas-1 Cia-1 State Switch B-1 OSD-2

SUBJECT: Joint Weeka No. 14 for State, Army and Air Departments from S.

SUMMARY of Office

During a week of scattered developments, the Communist leader Carlos Manuel PELLECER gave a preview of the party line for the coming months in a speech saying that the "Struggle Against Foreign Intervention" would remain the principal theme, demanding the denunciation of the Guatemalan-U.S. Trade Agreement, and announcing a new Communist move to amend the Labor Code.

Further friction developed between Major Alfonso MARTINEZ, Chief of the National Agrarian Department, and the Communist and pro-Communist labor and agrarian leaders as a result of the former's desire to repeal the "forced rental" laws which were passed before the Agrarian Reform to give peasants land to work but which he believes now interfere with the orderly application of the Agrarian Reform.

Foreign Minister Toriello told the press that Guatemala was studying the question of recognizing certain of the "People's Democracies" and Colonel Carlos Enrique DIAZ, Chief of the Armed Forces, departed on a trip to South America which press commentators thought was for the purpose of renewing diplomatic relations with Peru.

In further episodes in the Government's harassment of anti-Communist radio programs, police arrested Oscar CONDE of "Radio Successos" on his return from Caracas, and evidence was developed that police headquarters were responsible for the jamming of the anti-Communist students' program.

The Ministry of Finance's proposed 1954-55 budget, $4.5 million less than last year, represents a retrenchment from some of the Administration's expensive development schemes which could not be paid for.

DOMESTIC AFFAIRS

1. Pellecer Gives Preview of Communist Line. In a speech at Quezaltenango on April 4 about preparations for the May Day Labor celebrations, the Communist deputy and labor leader Carlos Manuel Pellecer gave a preview of the Communist line in coming months. He

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said that the "Struggle Against Foreign Intervention" would remain the principal theme, demanded the denunciation of the U.S.-Guatemalan Trade Agreement, and urged the diversification of Guatemala's foreign trade through increased commercial interchange with other countries and especially with the Soviet Union, China and the "People's Democracies."

In the field of domestic policy, he emphasized the need of a strengthened "National Democratic Front" composed of the Administration parties and the labor and "mass" organizations to support the Arbenz Administration. He asked for a more rapid implementation of the Agrarian Reform Law and announced that the Communist Deputies had prepared a draft law to amend the Labor Code to make unions independent of the government as well as employers. He called for a struggle to maintain the high price of coffee in order that the goal for a minimum agricultural wage could be raised from 80 cents to $1.10 per day.

Showing the extent to which this Communist-dominated "National Democratic Front" has already supplanted the Cabinet as a policy-making body, Pellecer casually revealed that the line which Foreign Minister Toriello followed at the Caracas Conference had been determined at a meeting attended by President Arbenz, Toriello, and the delegates of the Front. Four of the ten Front delegates are Communists and most of the others are Communist sympathizers of record. Pellecer also attacked SOLORZANO, apparent non-card-carrying Communist Manager of the Guatemalan Institute of Social Security (IGSS). Without mentioning Solórzano's name, he said that the IGSS had done nothing for the past three years, the period of Solórzano's managership; asserted that the Manager nonetheless drew $15,000 a year, the second highest Guatemalan governmental salary; and demanded that the IGSS' autonomy be curbed and its administrative costs reduced. This reflected continued friction between the leaders of the orthodox Communist Partido Guatemalteco del Trabajo (PGT) and intellectual Communists like Solórzano who unswervingly follow the Moscow line but are not apparently subject to PGT discipline.

Further Friction Between Martínez and Communists. Another chapter has opened in the long-standing differences between Major Alfonso Martínez, Chief of the National Agrarian Department, and the Communist leadership of the CGTG and pro-Communist leaders of the CNCG. In late March Martínez sent a draft law to the Ministry of Economy for introduction into Congress in order to repeal Decrees 712 and 853, the "forced rental" laws under which peasants may rent land. Martínez believes these have confused the application of the Agrarian Reform Law because peasants sometimes simply invade land in the expectation that if they cannot obtain it under the Agrarian Reform Law they can get it under the "forced rental" law. In the ensuing ten days, both the CGTG and the CNCG came out strongly against Martínez proposal and insisted that the "forced rental" laws were still necessary, though they have admitted in the press that they wish a fight with Martínez. This situation is reminiscent of that in March 1953 when

Martínez proposed to amend the Agrarian Reform Law to eliminate CGTG and CNCG representatives from the Departmental Agrarian Committees. The Communists succeeded in blocking that proposal.

FOREIGN AND MILITARY AFFAIRS

Foreign Minister Says Recognition of Soviet Satellites Under Study. In a press interview on April 1, Foreign Minister Guillermo Toriello said that Guatemala had under study the recognition of certain so-called "People's Democracies" and that there was no impediment to the establishment of diplomatic relations with them since Guatemala had maintained such relations with the USSR and Czechoslovakia. The statement came during questioning arising from Guatemala's recent resumption of relations with Venezuela (Weeka No. 13). Guatemala has not maintained relations with the USSR since 1946, and its relations with Czechoslovakia are through a Czech Minister resident in Mexico. There are no Soviet or satellite missions here.

Chief of Armed Forces Leaves for South America. Colonel Carlos Enrique Díaz, Chief of the Guatemalan Armed Forces, left Guatemala on April 7 with visas for Panama, Ecuador, and Colombia and was reported to be planning to pick up a Peruvian visa in Panama. The press speculated that he might be going to arrange for the resumption of Guatemalan diplomatic relations with Peru, but there were also rumors that he was on an arms-buying expedition.

Communist-Front Central American and Caribbean Youth Festival Set for Guatemala. The International Preparatory Committee for the Communist-front "Festival of Youth and Friendship of Central America and the Caribbean" met here on March 31-April 1 and later announced that the Festival would take place in Guatemala on September 12-19 of this year and that 5,000 delegates were expected to attend. The tentative date for the Festival, which was germinated at last year's Bucharest World Youth Festival, had previously been October. The Preparatory Committee meeting was sparsely attended by Foreign delegates; there were five representing Mexico, one representing Cuba, one representing the World Federation of Democratic Youth, and an unknown number representing Colombia and the Dominican Republic.

PSYCHOLOGICAL

Further Pressure Against Anti-Communist Radio Programs: In the Government's continuing harrassment of radio stations or programs carrying anti-Administration and anti-Communist material, police on April 5 arrested Oscar Conde, Director of "Radio Successos" as he got off a plane bringing him back from the Caracas Conference which he had finally reached after difficulties in obtaining a Venezuelan visa (Weeka No. 9). Conde, who is an outspoken and somewhat sensational anti-Communist radio commentator, was held on a swindling charge which was brought against him because his followers were publicly asked to contribute money for his Caracas trip.

During the week, evidence was also developed that the jamming of the anti-Communist students' radio program over Radio International was being carried out by jamming equipment located in the Guatemala City police headquarters. Radio International has been subjected to constant harrassment over the past year or more and it is clear that the authorities are trying to force the hard-hitting students' anti-Communist program off the air.

USIA Motion Pictures Withdrawn Under Leftist and Nationalist Pressure: In contrast to the usually good reception given by Guatemalan audiences to USIA films, the Embassy's Public Affairs Officer this week was obliged to withdraw the film WHY KOREA from public schools after strong complaints against it were received. A night school student cursed the USIS operator and said, "These Gringos know how to carry on their propaganda. They act as if only Americans died in Korea...There were many more Europeans (sic)." The principal of another school asked that "no more war pictures be shown, as they do not interest us."

In the past there has been an occasional Guatemalan schoolteacher who has taken a stand against USIA films for political reasons, but these latest episodes appear to indicate that the anti-American feeling so assiduously cultivated by the Communists is gaining some momentum.

ECONOMIC

Budget Reflects Poor Planning of Past Year: Presenting his first budget to the Congress on March 14, Minister of Finance Raúl [illegible] Franco set expenditures for the 1954-55 fiscal year at ¢69,994,000 and in an accompanying message and a press conference on April 6 explained that the reduction of ¢4,654,994.98 from the 1953-54 budget was made necessary by the fact that a deficit of ¢14,000,000 for the present year was in sight. He blamed this situation on unrealistic estimates of revenue and slovenly collections during the present year, and cited cases where income from taxes not passed by Congress had been listed as revenue, proceeds from sales which had never come off had been anticipated, and tax collectors had accepted ridiculously low statements of incomes from Guatemalan business enterprises.

His retrenchment 1954-55 budget concentrates the $11 million Public Works Program on the Atlantic Highway, the southern portion of the Inter-American Highway, and roads from the capital to Salamá and from Cobán to Lake Izabal. It makes no provision for some of the grandiose highway plans previously publicized by the government. He emphasized that it was necessary to hold down expenses until such time as measures intended to stimulate economic growth began

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to show results. He estimated, for instance, that it could be ten years before the benefits of the Agrarian Reform would become evident, a point of view in sharp contrast to that of President Arbenz and other Administration figures who have claimed that the Agrarian Reform has already led to prosperity.

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